

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6759

BILL NUMBER: HB 1393

NOTE PREPARED: Dec 26, 2002

BILL AMENDED:

SUBJECT: Cumulative Building and Equipment Funds.

FIRST AUTHOR: Rep. Bischoff

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill allows any local government unit or fire protection district to use its cumulative building and equipment fund for the purchase of radio equipment. (Current law allows municipalities to use the fund to purchase police radio equipment.) The bill provides that the cumulative building and equipment fund tax rate may not exceed \$0.05 on each \$100 of assessed value. (Current law limits the rate at \$0.0333.) The bill also makes conforming changes.

Effective Date: July 1, 2003.

Explanation of State Expenditures: Beginning in CY 2003, the state will pay homestead credits at the rate of 20% of net property tax on owner-occupied homes. The additional levy authority allowed by this proposal would obligate the state for up to \$2.4 M per year in homestead credits. Homestead credits are paid from the Property Tax Replacement Fund which is annually supplemented by the state General Fund. Any additional homestead credit expenditures would ultimately come from the General Fund.

Explanation of State Revenues:

Explanation of Local Expenditures: Currently, townships, municipalities, and fire protection districts may use the proceeds from their cumulative firefighting funds to purchase, build, or renovate buildings, and to buy land and firefighting / EMS equipment. Cities and towns may also purchase police radios with money in the fund. This bill would expand the possible use of the fund to allow townships and fire protection districts as well as cities and towns to buy radios of any type.

Explanation of Local Revenues: Under current law townships, municipalities, and fire protection districts

may impose a property tax rate of up to \$0.0333 per \$100 of assessed value for the cumulative firefighting fund. This proposal would raise the rate cap to \$0.05 per \$100 of AV.

In 2002, 395 townships, 83 cities and towns, and 14 fire protection districts had cumulative firefighting funds in which they raised \$19.0 M collectively. Not all of these units imposed the maximum rate. The additional rate cap in this bill would give these same units an additional \$12.1 M in new levy authority. On a statewide basis, including the above units and units that do not currently levy a cumulative fire fund rate, the additional levy authority generated by the rate cap increase is estimated at \$26.7 M. The actual fiscal impact would depend on whether each local unit chooses to impose the rate at its new maximum under this bill.

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: Townships; Cities and Towns; Fire protection districts.

Information Sources: Local Government Database.

Fiscal Analyst: Bob Sigalow, 317-232-9859